



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Edon Northwest Local School District  
Williams County  
309 West Indiana Street  
Edon, Ohio 43518-9620

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Edon Northwest Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Edon Northwest Local School District, Williams County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17, the District reclassified the Special Trust Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

December 27, 2001

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**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2001**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,714,609	\$137,560	\$204,447	\$4,425,310
Receivables:				
Taxes	1,087,209	23,229	341,947	87,570
Accounts	156			
Intergovernmental	792			14,376,886
Materials and Supplies Inventory	19,478	969		
Prepaid Items	11,207	300		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	26,910			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund				
Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b><u>\$3,860,361</u></b>	<b><u>\$162,058</u></b>	<b><u>\$546,394</u></b>	<b><u>\$18,889,766</u></b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$3,368			
Accrued Wages and Benefits	310,074	\$20,651		
Compensated Absences Payable	3,820			
Intergovernmental Payable	56,650	2,917		
Deferred Revenue	1,027,219	23,229	\$337,109	\$ 14,461,495
Due to Students				
Notes Payable				3,603,000
General Obligation Bonds Payable				
Total Liabilities	<u>1,401,131</u>	<u>46,797</u>	<u>337,109</u>	<u>18,064,495</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	45,291	10,213		8,226
Reserved for Inventory	19,478	969		
Reserved for Prepaid Items	11,207	300		
Reserved for Debt Service Principal			204,447	
Reserved for Property Taxes	59,990		4,838	2,961
Reserved for Textbooks & Instructional Materials	8,091			
Reserved for Budget Stabilization	18,819			
Unreserved:				
Unreserved, Undesignated	2,296,354	103,779		814,084
Total Fund Equity and Other Credits	<u>2,459,230</u>	<u>115,261</u>	<u>209,285</u>	<u>825,271</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$3,860,361</u></b>	<b><u>\$162,058</u></b>	<b><u>\$546,394</u></b>	<b><u>\$18,889,766</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$65,397	\$26,137			\$7,573,460
				1,539,955
382				538
				14,377,678
4,000				24,447
				11,507
				26,910
117,340		\$6,690,486		6,807,826
(101,086)				(101,086)
			\$204,447	204,447
			1,200,197	1,200,197
<b>\$86,033</b>	<b>\$26,137</b>	<b>\$6,690,486</b>	<b>\$1,404,644</b>	<b>\$31,665,879</b>
	\$6,207			\$9,575
\$10,700				341,425
8,322			\$469,256	481,398
4,723			30,388	94,678
1,503				15,850,555
	19,930			19,930
				3,603,000
			905,000	905,000
25,248	26,137		1,404,644	21,305,561
		\$6,690,486		6,690,486
60,785				60,785
				63,730
				20,447
				11,507
				204,447
				67,789
				8,091
				18,819
				3,214,217
60,785		6,690,486		10,360,318
<b>\$86,033</b>	<b>\$26,137</b>	<b>\$6,690,486</b>	<b>\$1,404,644</b>	<b>\$31,665,879</b>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$2,863,754	\$235,991
Interest	162,218	926
Tuition and Fees	13,966	
Rent	480	
Extracurricular Activities	2,894	69,118
Gifts and Donations	3,090	9,068
Customer Services	1,637	580
Property and Other Local Taxes	1,011,249	39,455
Miscellaneous	66,209	809
<b>Total Revenues</b>	<u>4,125,497</u>	<u>355,947</u>
<b>Expenditures:</b>		
Instruction:		
Regular	1,733,046	29,045
Special	191,488	124,866
Vocational	142,933	
Adult/Continuing	44	
Other	3,694	
Support services:		
Pupils	183,535	10,036
Instructional Staff	166,353	8,879
Board of Education	11,114	
Administration	394,858	29,140
Fiscal	163,243	1,577
Business	5,313	
Operation and Maintenance of Plant	410,222	2,430
Pupil Transportation	215,295	
Central	19,364	14,803
Non-Instructional Services	291	44,645
Extracurricular activities	119,024	77,622
Capital Outlay	14,636	
Debt Service:		
Debt Service - Principal		
Debt Service - Interest		
<b>Total Expenditures</b>	<u>3,774,453</u>	<u>343,043</u>
Excess of Revenues Over Expenditures	<u>351,044</u>	<u>12,904</u>
<b>Other Financing Sources and Uses</b>		
Proceeds from Sale of Fixed Assets	175	500
Other Financing Sources	10,229	
Other Financing Uses		(200)
<b>Total Other Financing Sources and Uses</b>	<u>10,404</u>	<u>300</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	361,448	13,204
Fund Balance at Beginning of Year	<u>2,097,782</u>	<u>102,057</u>
<b>Fund Balance at End of Year</b>	<u><u>\$2,459,230</u></u>	<u><u>\$115,261</u></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
<b>Debt Service</b>	<b>Capital Projects</b>	
\$24,267	\$968,327 64,322	\$4,092,339 227,466 13,966 480 72,012 12,158 2,217
217,064	93,634	1,361,402 67,018
<u>241,331</u>	<u>1,126,283</u>	<u>5,849,058</u>
	27,794	1,789,885 316,354 142,933 44 3,694
	9,941	193,571 185,173 11,114 423,998
5,268	2,774	172,862 5,313 412,652 215,295 34,167 44,936 196,646 329,563
	314,927	
20,000		20,000
<u>50,873</u>		<u>50,873</u>
<u>76,141</u>	<u>355,436</u>	<u>4,549,073</u>
<u>165,190</u>	<u>770,847</u>	<u>1,299,985</u>
		675 10,229 (2,048)
	<u>(1,848)</u>	<u>(2,048)</u>
	<u>(1,848)</u>	<u>8,856</u>
165,190	768,999	1,308,841
<u>44,095</u>	<u>56,272</u>	<u>2,300,206</u>
<b><u>\$209,285</u></b>	<b><u>\$825,271</u></b>	<b><u>\$3,609,047</u></b>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$2,741,395	\$2,863,798	\$122,403
Interest	136,100	162,218	26,118
Tuition and Fees	18,800	14,026	(4,774)
Rent	400	480	80
Extracurricular Activities	3,200	2,894	(306)
Gifts and Donations	2,500	3,090	590
Customer Services	1,285	1,637	352
Property and Other Local Taxes	979,228	1,021,596	42,368
Miscellaneous	74,815	66,125	(8,690)
<b>Total Revenues</b>	<b>3,957,723</b>	<b>4,135,864</b>	<b>178,141</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,831,033	1,735,094	95,939
Special	219,720	192,170	27,550
Vocational	162,083	145,681	16,402
Adult/Continuing	5,000	44	4,956
Other	61,000	3,694	57,306
Support services:			
Pupils	289,180	182,799	106,381
Instructional Staff	275,243	166,610	108,633
Board of Education	19,000	14,713	4,287
Administration	598,460	394,023	204,437
Fiscal	192,000	163,154	28,846
Business	61,000	5,313	55,687
Operation and Maintenance of Plant	807,447	418,893	388,554
Pupil Transportation	489,671	214,359	275,312
Central	48,650	21,513	27,137
Non-Instructional Services	2,000	291	1,709
Extracurricular activities	136,000	118,804	17,196
Capital Outlay	613,356	48,797	564,559
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>5,810,843</b>	<b>3,825,952</b>	<b>1,984,891</b>
Excess of Revenues Over (Under) Expenditures	(1,853,120)	309,912	2,163,032
<b>Other Financing Sources and Uses</b>			
Proceeds from Sale of Long-Term Notes			
Proceeds from Sale of Fixed Assets	1,000	175	(825)
Refund of Prior Year Expenditures	1,500	9,394	7,894
Other Financing Sources	1,500	1,179	(321)
Refund of Prior Year Receipts	(2,402)	(1,122)	1,280
Advances Out	(40,000)		40,000
Other Financing Uses	(184,307)		184,307
<b>Total Other Financing Sources and Uses</b>	<b>(222,709)</b>	<b>9,626</b>	<b>232,335</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,075,829)	319,538	2,395,367
Fund Balance at Beginning of Year	2,363,977	2,363,977	
Prior Year Encumbrances Appropriated	9,345	9,345	
<b>Fund Balance at End of Year</b>	<b>\$297,493</b>	<b>\$2,692,860</b>	<b>\$2,395,367</b>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$223,752	\$235,991	\$12,239	\$26,113	\$24,267	(\$1,846)
926	926				
68,743	69,118	375			
7,661	9,068	1,407			
580	580				
28,000	39,455	11,455	155,425	217,898	62,473
809	809				
330,471	355,947	25,476	181,538	242,165	60,627
53,778	31,178	22,600			
141,526	124,172	17,354			
24,343	11,796	12,547			
18,496	8,879	9,617			
31,475	28,426	3,049			
3,275	1,577	1,698	7,764	5,268	2,496
2,926	2,044	882			
1,270		1,270			
14,803	14,803				
46,073	44,945	1,128			
108,999	77,323	31,676			
			30,000	20,000	10,000
			182,197	50,873	131,324
446,964	345,143	101,821	219,961	76,141	143,820
(116,493)	10,804	127,297	(38,423)	166,024	204,447
500	500				
(250)	(200)	50			
250	300	50			
(116,243)	11,104	127,347	(38,423)	166,024	204,447
109,572	109,572		38,423	38,423	
6,671	6,671				
	<b>\$127,347</b>	<b>\$127,347</b>		<b>\$204,447</b>	<b>\$204,447</b>

(Continued)

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Intergovernmental	\$555,322	\$968,327	\$413,005
Interest		64,322	64,322
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes	91,248	91,248	
Miscellaneous			
<b>Total Revenues</b>	<u>646,570</u>	<u>1,123,897</u>	<u>477,327</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	55,825	27,794	28,031
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils	8,000		8,000
Instructional Staff	15,700	9,940	5,760
Board of Education			
Administration			
Fiscal	4,325	2,775	1,550
Business			
Operation and Maintenance of Plant	62,277		62,277
Pupil Transportation	35,000		35,000
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	800,688	323,153	477,535
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<u>981,815</u>	<u>363,662</u>	<u>618,153</u>
Excess of Revenues Over (Under) Expenditures	<u>(335,245)</u>	<u>760,235</u>	<u>1,095,480</u>
<b>Other Financing Sources and Uses</b>			
Proceeds from Sale of Long-Term Notes	180,150	3,603,000	3,422,850
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources			
Refund of Prior Year Receipts			
Advances Out	(1,848)	(1,848)	
Other Financing Uses			
<b>Total Other Financing Sources and Uses</b>	<u>178,302</u>	<u>3,601,152</u>	<u>3,422,850</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(156,943)</u>	<u>4,361,387</u>	<u>4,518,330</u>
Fund Balance at Beginning of Year	55,682	55,682	
Prior Year Encumbrances Appropriated	14	14	
<b>Fund Balance at End of Year</b>	<u><b>(\$101,247)</b></u>	<u><b>\$4,417,083</b></u>	<u><b>\$4,518,330</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**Totals (Memorandum Only)**

<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$3,546,582	\$4,092,383	\$545,801
137,026	227,466	90,440
18,800	14,026	(4,774)
400	480	80
71,943	72,012	69
10,161	12,158	1,997
1,865	2,217	352
1,253,901	1,370,197	116,296
75,624	66,934	(8,690)
<u>5,116,302</u>	<u>5,857,873</u>	<u>741,571</u>
1,940,636	1,794,066	146,570
361,246	316,342	44,904
162,083	145,681	16,402
5,000	44	4,956
61,000	3,694	57,306
321,523	194,595	126,928
309,439	185,429	124,010
19,000	14,713	4,287
629,935	422,449	207,486
207,364	172,774	34,590
61,000	5,313	55,687
872,650	420,937	451,713
525,941	214,359	311,582
63,453	36,316	27,137
48,073	45,236	2,837
244,999	196,127	48,872
1,414,044	371,950	1,042,094
30,000	20,000	10,000
182,197	50,873	131,324
<u>7,459,583</u>	<u>4,610,898</u>	<u>2,848,685</u>
<u>(2,343,281)</u>	<u>1,246,975</u>	<u>3,590,256</u>
180,150	3,603,000	3,422,850
1,500	675	(825)
1,500	9,394	7,894
1,500	1,179	(321)
(2,652)	(1,322)	1,330
(41,848)	(1,848)	40,000
(184,307)		184,307
<u>(44,157)</u>	<u>3,611,078</u>	<u>3,655,235</u>
(2,387,438)	4,858,053	7,245,491
2,567,654	2,567,654	
16,030	16,030	
<u><b>\$196,246</b></u>	<u><b>\$7,441,737</b></u>	<u><b>\$7,245,491</b></u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$182,593
Other Revenues	478
	183,071
<b>Operating Expenses:</b>	
Salaries	78,817
Fringe Benefits	12,342
Purchased Services	1,662
Materials and Supplies	150,181
Depreciation	8,374
Other Expenses	1,642
	253,018
Operating Loss	(69,947)
<b>Non-Operating Revenues and Expenses:</b>	
Federal Donated Commodities	25,104
Interest	1,893
Federal and State Subsidies	46,077
	73,074
Net Income	3,127
Retained Earnings at Beginning of Year	57,658
<b>Retained Earnings at End of Year</b>	<b>\$60,785</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Sales	\$182,442
Other Cash Receipts	478
Cash Payments to Suppliers for Goods and Services	(125,880)
Cash Payments for Contract Services	(1,662)
Cash Payments for Employee Services	(76,997)
Cash Payments for Employee Benefits	(12,461)
Other Cash Payments	(1,642)
	(35,722)
<b>Net Cash Used by Operating Activities</b>	
<b>Cash Flows from Noncapital Financing Activities:</b>	
Operating Grants Received	46,077
<b>Cash Flows from Investing Activities:</b>	
Interest Received	1,893
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Payments for Capital Acquisitions	(106)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>12,142</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>53,255</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$65,397</b>

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH USED BY OPERATING ACTIVITIES:**

Operating Loss	(\$69,947)
<b>Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:</b>	
Depreciation	8,374
Donated Commodities Used During the Year	25,104
Adjustments to Capital Outlay	(948)
(Increase) Decrease in Assets:	
Accounts	(151)
Material and Supplies Inventory	1,049
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	1,319
Intergovernmental Payable	(174)
Deferred Revenue	(904)
Accrued Wages and Benefits	556
	34,225
<b>Total Adjustments</b>	<b>(\$35,722)</b>

The Food Service Fund consumed donated commodities with a value of \$25,104.  
The use of these commodities is reflected as an operating expense.

*The notes to the general-purpose financial statements are an integral part of this statement.*

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**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Edon-Northwest Local School District (the District) operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board oversees the operations of the District's two instructional/support facilities.

**The Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with seven organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwest Ohio Educational Research Council, Inc., the Cisco Academy of Northwest Ohio, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 16 to the general-purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed by the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized on the modified accrual basis in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue on the modified accrual basis.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

The proprietary fund type utilizes the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The Agency Funds are custodial in nature and do not present results of operations or have measurement focus.

**B. Fund Accounting**

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

**1. Governmental Funds**

The funds through which most Board of Education functions are typically financed.

*General Fund* - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

*Special Revenue Funds* - The funds used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

*Debt Service Funds* - The funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

*Capital Projects Funds* - The funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

**2. Fiduciary Funds**

The funds used to account for assets not owned by the Board, but held for a separate entity.

*Agency Funds* - The funds used to account for assets held by the District as an agent.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. Proprietary Funds**

The funds used to account for Board activities that are similar to business operations in the private sector.

*Enterprise Funds* - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**4. Account Groups**

*General Fixed Assets* - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

*General Long-Term Obligations* - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

**C. Budgetary Accounting**

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2001 follows:

	Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$319,538	\$11,104	\$166,024	\$4,361,387
Revenue Accruals	(10,367)		(834)	2,386
Expenditure Accruals	2,840	(8,113)		
Other Sources/Uses	778			(3,603,000)
Encumbrances	48,659	10,213		8,226
GAAP Basis	\$361,448	\$13,204	\$165,190	\$768,999

**D. Encumbrances**

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Pooled Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

During fiscal year 2001, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund and food service fund during fiscal year 2001 amounted to \$162,218 and \$1,893 respectively. Interest revenue credited to the Special Revenue Funds and Capital Projects Funds during fiscal year 2001 amounted to \$926 and \$64,322 respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**F. Inventory**

Inventories are valued at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in Governmental Funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Property, Plant and Equipment**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized.



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of ten years.

**I. Intergovernmental Revenues**

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

**Entitlements**

General Fund  
State Foundation Program

**Non-Reimbursable Grants**

Special Revenue Funds  
Auxiliary Services Grant  
Professional Development Grant  
Senior Citizen Grant  
Education Management Information Systems Grant (EMIS)  
Data Communications  
Ohio School Net Communications Professional Development  
Textbooks/Instructional Materials Subsidy Grant  
Ohio Reads Grant  
Summer Intervention  
Extended Learning Opportunity  
Safe-School Help Line Program  
Eisenhower Grant (Title II)  
Title VI-B Flow Through Grant  
Title IIIB  
Title I Grant  
Title VI Grant  
Drug Free School Grant

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

Preschool Disability Grant  
FCC E-Rate  
Title VI-R Grant

Capital Projects Funds

School Net Plus Grant  
Technology Equity Grant  
Power Up Technology  
Emergency School Building Repair Grant  
Classroom Disability Access Project Grant  
Ohio School Facilities Grant

**Reimbursable Grants**

General Fund

Driver Education Reimbursement  
Vocational Education Equipment Grant

Enterprise Fund

National School Lunch Program  
Food Distribution Program

**J. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and interfund loans payable.

**K. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

the District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**M. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, prepaid items, debt service, textbooks, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**N. Compensated Absences**

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2001.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

**O. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds, capital

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**P. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Treasurer has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations issued by any federal government agency; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand**

At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**Deposits**

At fiscal year end, the carrying amount of the District's deposits was \$394,426 and the bank balance was \$656,643. \$100,988 of the bank balance was covered by federal depository insurance. \$555,655 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Investments**

The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasury, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The \$7,205,894 carrying value in the State Treasurer's Investment Pool (STAR Ohio) approximated the fair value at June 30, 2001. Amounts in STAR Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$7,600,370	
Cash on Hand	(50)	
Star Ohio	(7,205,894)	\$7,205,894
GASB Statement 3	\$394,426	\$7,205,894

**5. PROPERTY TAXES**

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2001. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion that is available to advance as of June 30, 2001.

The assessed values of properties upon which property tax revenues were based are as follows:

	<u>Amount</u>
Agricultural/Residential	\$41,969,650
Commercial/Industrial	3,661,500
Public Utility	3,726,100
General Personal Property	4,724,740
Total valuation	<u>\$54,081,990</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**6. FIXED ASSETS**

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 06/30/00	Additions	Deletions	Balance at 06/30/01
Land and Improvements	\$55,874			\$55,874
Buildings and Improvements	1,987,714	\$1,144,716		3,132,430
Furniture and Equipment	1,963,067	152,618	\$56,157	2,059,528
Vehicles	772,527			772,527
Text and Library Books	339,701	40,009	8,007	371,703
Construction in Progress	1,144,702	298,438	1,144,716	298,424
<b>Totals</b>	<u>\$6,263,585</u>	<u>\$1,635,781</u>	<u>\$1,208,880</u>	<u>\$6,690,486</u>

A summary of changes in the Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Furniture and Equipment	\$116,286	\$1,054		\$117,340
Less: Accumulated Depreciation	(92,712)	(8,374)		(101,086)
<b>Totals</b>	<u>\$23,574</u>	<u>(\$7,320)</u>		<u>\$16,254</u>

**7. RECEIVABLES**

Receivables, at June 30, 2001, consisted of taxes, interest, accounts (billings for user charged services), and grants. All receivables are considered collectable in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**8. NOTES PAYABLE**

The Ohio Revised Code provides that notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period.

	Balance June 30, 2000	Issued	Balance June 30, 2001
Capital Projects Notes Payable:			
3.75% District Building Construction	<u>                    </u>	<u>\$3,603,000</u>	<u>\$3,603,000</u>



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**9. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2001, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/00	Additions	Deductions	Balance at 6/30/01
General Obligation Bonds	\$925,000		\$20,000	\$905,000
Pension Obligation	29,986	\$402		30,388
Compensated Absences	439,830	29,426		469,256
Total Long-Term Obligations	<u>\$1,394,816</u>	<u>\$29,828</u>	<u>\$20,000</u>	<u>\$1,404,644</u>

Debt outstanding at June 30, 2001 consisted of General Obligation bonds totaling \$905,000 (interest rates of the bonds vary from 4.00 to 6.00 percent) used to finance the construction of an addition to the Edon building. The bonds were issued on September 1, 1997 and will mature in December 2019.

Total expenditures for interest toward the school improvement bonds for the period ended June 30, 2001 was \$50,873.

The scheduled payments of principal and interest on debt outstanding at June 30, 2001 are as follows:

Years	Principal	Interest	Total
2002	\$25,000	\$49,870	\$74,870
2003	25,000	48,732	73,732
2004	25,000	47,570	72,570
2005	30,000	46,263	76,263
2006	30,000	44,808	74,808
2007-2011	195,000	196,476	391,476
2012-2016	280,000	132,250	412,250
2017-2020	295,000	36,450	331,450
Totals	<u>\$905,000</u>	<u>\$602,419</u>	<u>\$1,507,419</u>

**10. COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Twelve employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to thirty percent of their accumulated sick leave balance, which cannot exceed 210 days. The maximum payout is 63 days.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

At June 30, 2001 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$3,820 and \$469,256, respectively. The liability for compensated absences in the proprietary funds at June 30, 2001 was \$8,322.

Effective August 1, 1995, the Board implemented a retirement incentive plan (the plan) for all STRS members who meet the eligibility requirements and elect to participate. The plan is in effect until June 30, 2001. STRS members who qualify must either:

1. Have been eligible for retirement when the plan became effective and retired by June 1, or
2. Give notice of intent to retire by April 30 of the year in which they become eligible to retire and retire at the end of the school year in which notice of intent to retire was given.

Qualifying members who elect to participate receive a service retirement recognition stipend of \$10,000.

**11. PENSION AND RETIREMENT PLANS**

**A. State Teachers Retirement System**

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The contributions to STRS for the years ending June 30, 2001, 2000, and 1999 were \$307,100, \$287,011, and \$267,564, respectively, 85 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$46,948 representing unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The contributions to SERS for the years ending June 30, 2001, 2000, and 1999 were \$98,863, \$95,730, and \$90,390, respectively, 57 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$42,384 representing unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account.

**12. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of District contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to the District by SERS.

For the District, the amount to fund health care benefits, including the surcharge, equaled \$59,708 during the 2001 fiscal year.

**13. ENTERPRISE FUNDS SEGMENT INFORMATION**

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2001 was as follows:

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$164,568	\$18,503	\$183,071
Depreciation Expense	8,374		8,374
Operating Income (Loss)	(70,421)	474	(69,947)
Donated Commodities	25,104		25,104
Grants	46,077		46,077
Interest	1,893		1,893
Net Income (Loss)	2,653	474	3,127
Net Working Capital	38,761	5,770	44,531
Total Assets	80,263	5,770	86,033
Total Liabilities	25,248		25,248
Total Equity	55,015	5,770	60,785

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$250 for services received through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center. To obtain financial information write to the Four County Career Center, Lois Knuth who serves as Interim Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**E. Cisco Academy of Northwest Ohio**

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Lois Knuth, who serves as Interim Treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

**15. RISK MANAGEMENT**

**A. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**B. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**C. Insurance-Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are coinsured. Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage's from last year.

**16. INSURANCE POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 2001 was \$342,945. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year ending June 30, 2001, the District paid an enrollment fee of \$526 to the WCGRP to cover the costs of administering the program.

**17. RESTATEMENT OF FUND BALANCES**

The District reclassified its Expendable Trust Fund to an Agency Fund to more closely reflect the purpose of the fund.

The effect of the restatements are shown below:

<b>Expendable Trust Fund</b>	
Equity at June 30, 2000	\$248
Restated Equity at June 30, 2000	<u>\$0</u>
 <b>Expendable Trust Fund</b>	
Excess of Revenue over Expenditures for the period	
July 1 through June 30, 2000	\$60
Prior Period Adjustment	(60)
Restated Excess of Revenue over Expenditures for the period July 1 through June 30, 2000	<u>\$0</u>
 <b>Agency Fund</b>	
Due to Others at June 30, 2000	\$16,495
Restated Due to Others at June 30, 2000	<u>\$16,743</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**18. AGENCY FUNDS**

General-Purpose Statement of Changes in Assets and Liabilities

	Balance at 06/30/00	Change	Balance at 06/30/01
Assets	\$16,743	\$9,394	\$26,137
Liabilities	\$16,743	\$9,394	\$26,137

**19. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carry forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2000	(\$5,860)		\$70,259	
Current Year Set-aside Requirement	90,521	\$90,521		
Current Year Offsets		(90,521)		
Qualifying Disbursements	(76,570)		(51,440)	
Total	\$8,091		\$18,819	
Cash Balance Carried Forward to FY 2002	\$8,091		\$18,819	
Amount restricted for Textbooks				\$8,091
Amount restricted for Budget Stabilization				18,819
Total Restricted Assets				\$26,910

**20. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 27, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration, will have on its future State funding and on its financial operations.

**21. CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Fanney/Howey Associates	\$601,233
Bowen+Washington+Regency	900,392
Jack Laurie Floors	2,130
Owens Electric, Inc.	34,160
Soil Testing, Inc.	8,226
	<u>\$1,546,141</u>

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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Edon Northwest Local School District  
Williams County  
309 West Indiana Street  
Edon, Ohio 43518-9620

To the Board of Education:

We have audited the financial statements of Edon Northwest Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 27, 2001, wherein we noted the District reclassified the Special Trust Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 27, 2001.

Edon Northwest Local School District  
Williams County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 27, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**EDON NORTHWEST LOCAL SCHOOL DISTRICT**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 29, 2002**